

Exploring the Abundant Opportunities Of Italy's Food Sector

By Dana Biasetti

Italy was once home to the world's mightiest, most dynamic civilization. Ancient Rome extended throughout Europe and into Northern Africa and the Middle East, incorporating many countries and cultures and trading with many others.

Today Italy continues to offer numerous and expanding opportunities for U.S. food exporters. The country is changing from a strictly traditional society into a more modern one, spurring rapid development in its food industry.

Italy is one of the most affluent nations in Europe, and ranks as the world's sixth-largest industrial economy. In 2001, its gross national product was \$1.1 trillion with a 2.9-percent growth rate, while per capita income was \$18,590.

Shifting Demographics

Italians are living longer, marrying later and having fewer children. The workforce numbers about 24 million people out of a total population of nearly 58 million. While unemployment reached a comparatively high 9.6 percent in 2001, inflation stood at 2.8 percent.

Italy's population is forecast to decline to 57.6 million in 2005, and to drop to 46 million by 2050. About 38 percent of Italian women work outside the home, and the increasing number of women in the workforce has had a definite impact on population. In the 1960s, the number of children per family averaged 2.41; this figure has now dropped to 1.2.

Singles now have a much more visible



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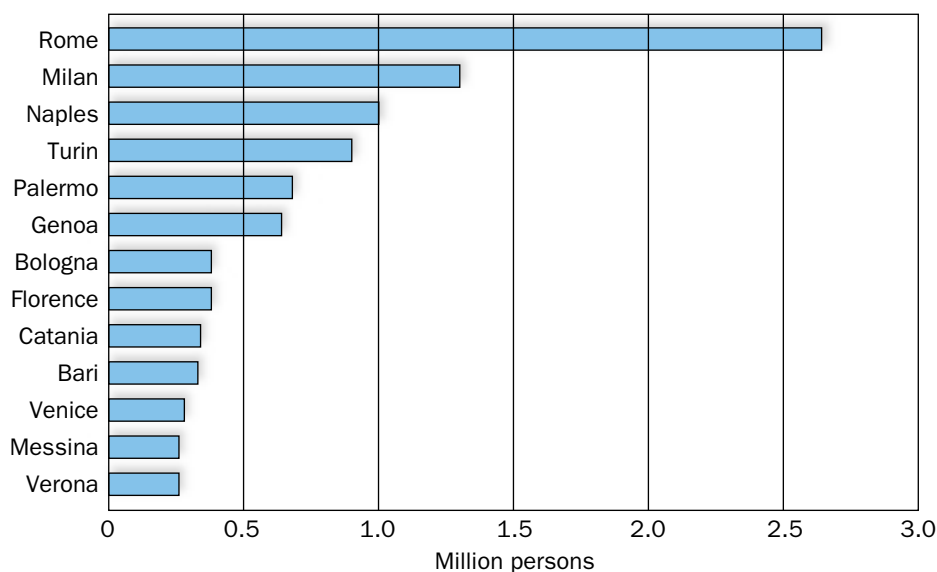
role in Italian society. Many more young people are living on their own, especially in the northern industrial cities. Singles are also starting to be recognized for their buying power, and retail outlets have started to cater to their needs by offering single-portion, ready-made food products.

Geographic and Cultural Diversity

The Italian peninsula has many cultural and economic differences distinguishing the northern, central and southern regions.

About 72 percent of the Italian population lives in urban city centers. But Italy's three largest cities—Rome, Milan and

Italy's Population Is Widely Dispersed



Naples—are home to 5 million people, less than 10 percent of the total population. The rest of the population is widely dispersed among several medium-size and small cities. This is important to keep in mind when entering the Italian retail sector, because it means there are many cities through which a company or product could reach consumers.

The country is ethnically diverse as well. The leading foreign communities are Moroccans (148,000), Albanians (142,000), Romanians (69,000), Filipinos (65,000) and Americans (47,000). About one-third of the foreign residents are Muslims.

The ongoing socioeconomic and demographic changes in Italy have prompted consumers to spend more, to eat out regularly and to be more eclectic in their food choices. While the Mediterranean diet remains king, demand is growing for a wider array of exotic and ethnic foods.

The Retail Landscape

The Italian retail sector is still relatively underdeveloped. The food sector is a curious blend of tradition and modernity, and although it is expanding at a much slower pace than that of some other European



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nations, it maintains high food quality standards. The Italian consumer is extremely well-educated and discerning when it comes to food. Quality gourmet items are

Best U.S. Product Prospects

And speaking of opportunities, U.S. products with notable sales potential in the Italian retail market include:

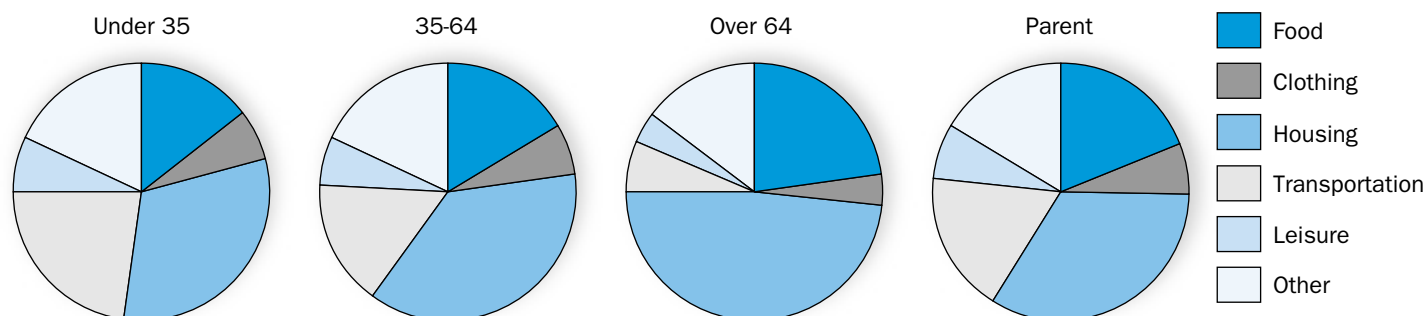
- Wild salmon from Alaska
- California wines
- Dried plums
- Tree nuts
- Wheat
- TexMex and other ethnic foods
- Dried beans
- Processed fruit juices
- Cake mixes
- Dressings, sauces and condiments
- Beer
- Snacks
- Lobster and scallops

integral to the Italian way of life, and many consumers are willing to pay the price for them.

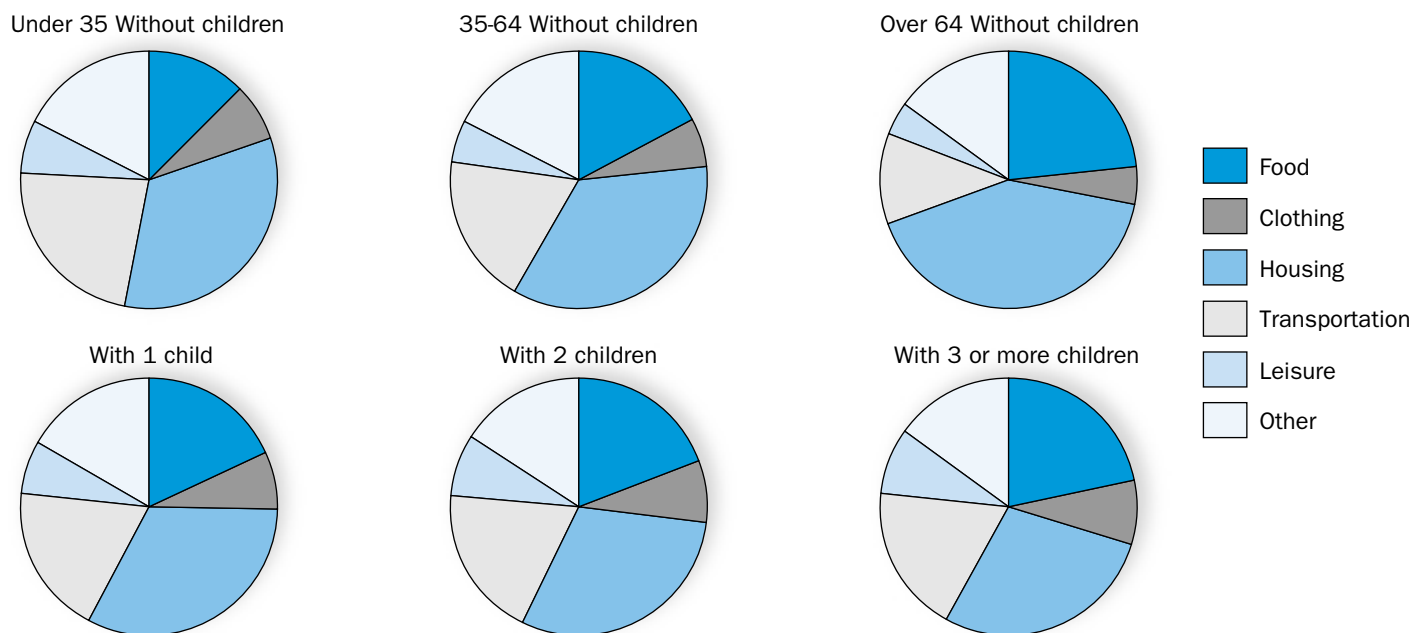
This is reflected in the retail sector, with large operations making slow but significant inroads, and small neighborhood food shops still dominant. For example, local mom-‘n’-pop stores continue to play an essential role.

Northern Italy, with its more prosper-

For Single Adults, Food Ranks Among the Three Highest Expenditures As a Percentage of Household Consumption



For Couples, Food Also Ranks Among the Three Highest Household Expenditures



ous regions and 5-percent unemployment rate, has the largest number of hypermarkets and supermarkets. The south lags behind, with few large retail outlets and a 22-percent unemployment rate. Local, independently owned shops have actually flourished in southern Italy, in sharp contrast to large retail outlets.

Italy is one of the few European countries whose food retail sector is still largely controlled by cooperatives and buying groups. COOP Italia, thanks to a creative marketing campaign, has maintained a strong position. CONAD seems close behind, seeking acquisition and joint venture opportunities and investing in promotional campaigns in the press and on television. Large distribution chains and supermarkets (such as Esselunga, COOP Italia, CONAD and Unes) are aggressively promoting their own private label brands of organic and other specialized products.

Major Market Shifts

The strengthening and consolidation of the Italian retail sector has begun—led largely by foreign retailers. While key domestic players such as COOP Italia, CONAD, La Rinascente and Gruppo COIN have been busy holding onto their market shares through mergers and alliances, foreign retailers have been penetrating and expanding in the last few years.

In 1999, CONAD and COOP Italia created the joint venture buying group Italia Distribuzione. In 2000, French retail giant Carrefour bought out Gruppo GS. Historically, no Italian grocery chain has had national coverage, but La Rinascente recently broke the mold, expanding southward through a joint venture with French retailer Auchan. In 2001, Auchan/La Rinascente concluded an eight-year franchise agreement for 120 superettes, 50 local traditional stores and six supermarkets.

Smaller domestic companies, such as Despar Italia, have been less active and may have to create their own alliances to remain competitive.

The food industry has become more sophisticated and will likely expand rapidly, creating opportunities for U.S. agricultural exports. ■

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